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Title

Tax policy and tax protest in 20 rich democracies, 1980-2010.

Permalink

<https://escholarship.org/uc/item/3v971777>

Journal

The British journal of sociology, 69(3)

ISSN

0007-1315

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Publication Date

2018-09-01

DOI

10.1111/1468-4446.12290

Peer reviewed

Tax Policy and Tax Protest in 20 Rich Democracies, 1980-2010¹

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Author's accepted version

Published in *British Journal of Sociology*, 69 (3): 647-669.

It may be that all taxes have the potential to provoke social unrest. Some taxes, however, seem to provoke more unrest than others, and the questions of which taxes and why have long preoccupied practitioners of statecraft. The Chancellor of the Exchequer Robert Walpole is said to have remarked in the early eighteenth century that the payers of direct taxes were “pigs that squealed if they were touched,” while the payers of indirect taxes—including, in the England of his day, tariffs, excises, and customs duties—were “sheep that let themselves be sheared in silence” (Barker 1966: 57). At least since the nineteenth century, many scholars who have pondered these questions have agreed with Walpole that direct taxes on income and wealth are most likely to provoke collective resistance, because their burdens are most easily perceived. And many would-be economic advisers have therefore counseled reliance on so-called indirect taxes on trade, such as excises, customs duties, and tariffs, because of what John Stuart Mill called “the easy manner in which the public consent to let themselves be fleeced in the prices of commodities” (2004 [1871]: bk. V, ch. 6, sec. 1).

We undertake here to test this very old theory with new data on aggregate protest behavior in 20 rich democracies since 1980. We find that there are indeed systematic differences among taxes in their propensity to provoke protest, but that the conventional wisdom is wrong about which taxes provoke protest and why. The most protested taxes are those that impose concentrated costs on a well-defined social group in exchange for diffuse benefits, while the least protested are diffuse taxes that confer entitlement to benefits on a well-defined group. It is the relative concentration of costs and benefits, rather than the direct or indirect character of the taxes at issue, that best explains why some taxes are more protest-prone than others.

These findings have important implications for the comparative political economy of the welfare state. A substantial literature in comparative political economy addresses the puzzle of

why the most redistributive welfare states rely heavily on the most regressive revenue instruments, especially consumption taxes such as Value Added Tax (VAT) (e.g., Beramendi and Rueda 2007; Kato 2003; Prasad and Deng 2009; Prasad 2012; Martin 2015). One popular explanation for this pattern is that reliance on regressive consumption taxes renders the burden of paying for the welfare state “invisible” (Wilensky 2002: 363) and thereby protects the welfare state from political protest. Our findings imply that these scholars may be correct to point to the tax mix as part of the explanation for how large welfare states redistribute so much money with so little political resistance—or how they “tax, spend, and yet keep cool” (Wilensky 2002: 363)—but that scholars have hitherto misidentified the taxes responsible for harmony. Regressive consumption taxes are among the *most* politically contentious. Taxes earmarked for social security contributions, by contrast, are among the least politically contentious.

Tax Protest and Policy Feedback

Although the subject of tax protest is presumably of substantial interest to rulers and legislators, it has been little studied by social scientists because it falls between the disciplines of economics and sociology. Scholars of public finance have been more concerned with minimizing the excess economic burden of taxation, rather than the excess political friction it may cause. To that end they have investigated how individuals respond to taxes by altering their investment behavior, their consumption patterns, or their labor market participation (Auerbach and Hines 2002; Slemrod and Yitzhaki 2002), but they have rarely asked how individuals respond to taxes by changing their political behavior--e.g. by demanding changes in tax policy. Sociologists, for their part, have explored how protest behavior responds to mobilizing structures (McCarthy and Zald 1977), political opportunities (McAdam 1996; Meyer 2004), and the framing efforts of social

movement organizations (Benford and Snow 2000), but have devoted comparatively little explicit theoretical attention to the question of which public policies provoke protest and why (Meyer 2005). Several important works of historical sociology address the correlates of tax protest in agrarian empires (e.g. Ardant 1965; Barkey 1991; Brustein, 1985; Brustein and Levi, 1987; Kiser and Linton, 2002; Wong 1987; Hung 2013), but these studies typically locate the causes of agrarian tax protest in economic and social conditions that are peculiar to the early modern era in Europe and Asia, and none of them have any easily discernible policy implications for the democratically governed market societies of our time. Social scientists know a great deal about how to tax without increasing unemployment or provoking capital flight, but comparatively little about how to tax without provoking an eruption of contentious politics.

In the absence of systematic research on tax protest, policy makers and social scientists alike have often invoked the folk theory that some types of taxation are more protest-prone than others because their mode of collection makes the burden of the tax more salient. It was a conventional wisdom among English politicians in the early eighteenth century, for example, that “direct taxes” generated more resistance than “indirect taxes,” not because their economic burdens were greater, but because those burdens were more easily perceived (Barker 1966). More than 100 years later, this assumption—apparently unshaken by the American colonial rebellion against indirect taxes—became a staple of classical political economy (McCulloch 1975 [1845]; Mill 2004 [1871]; Puviani 1973 [1903]) and it was subsequently taken up in classical political sociology (Michels 1968 [1915]; Pareto 1963 [1916]). Some political scientists and sociologists have recently resurrected this folk theory to help explain the political durability of large welfare states in an increasingly globalized economy. Such states survive, it is said, in part because they rely on indirect forms of taxation that are relatively “invisible” (Kato 2003;

Morgan and Campbell 2005; Prasad 2005, 2006; Wilensky 2002).

But what exactly is it about some taxes that makes them invisible—and, inversely, what is it about other taxes that makes them salient to potential protesters? Here the existing literature on the comparative political economy of the welfare state offers little guidance. We therefore turn to theoretical work on policy feedbacks and collective action to suggest four mechanisms that might make some taxes especially likely to provoke protest.

1. Distribution

The first characteristic that may make a tax protest-prone is its progressive or regressive distribution. An individual's consent to pay taxes or make other contributions to public goods may be contingent on the perception that others are also paying their fair share (Levi 1997; Rothstein 1998, 2001). Such judgments may depend, in part, on the tax rates applied to others who have more to give. A progressive tax claims an increasing share of income as the income of the taxpayer increases; the paradigmatic example is an income tax with an explicitly graduated rate structure. A regressive tax, by contrast, claims an increasing share of income as income decreases; paradigmatic examples include a poll tax levied as a flat price per person, and a flat-rate consumption tax on food. Comparative public opinion data suggest that progressive taxation is popular (Barnes 2014), and some of the most regressive taxes have also been the most contentious, notably including a poll tax that was introduced in the United Kingdom in 1990. Some scholars have found evidence that increases in the progressivity of the U.S. federal personal income tax in the twentieth century often followed periods of contentious protest by the poor (Jacobs and Helms 2001), suggesting that at least some policy makers may have believed that regressive taxation had been a cause of unrest. Although the data do not permit us to test this

hypothesis with a detailed measure of progressivity for every category of taxation for every year, we can test it by distinguishing between general consumption taxes such as VAT (which are regressive in every country in the sample) and income taxes (which are typically, though not always, progressive in nominal terms, and which are generally *relatively* progressive in real terms when compared to general consumption taxes in the same country and year) (see Prasad and Deng 2009: 433). We test the following hypothesis:

H1. General consumption taxes, such as VAT, will provoke more protest than income taxes.

H2. Poll taxes will provoke more protest than income taxes.

On the other hand, there are theoretical grounds for the alternative hypothesis that progressive taxes may provoke *more* protest than regressive taxes. The central idea motivating this hypothesis is that progressive taxation, by design, concentrates the tax burden among high-income people who may be especially motivated to protest. Given two taxes that raise the same aggregate revenues, the more progressive tax will by definition concentrate a greater share of the burden on fewer people, and therefore may be more likely to produce a critical mass of people who share an especially strong interest in cutting or repealing the tax. It is just such reasoning that led Oliver and Maney (1988) to conclude that a “heterogeneous group”—defined as one whose members expect different degrees of benefit from the same collective action—may be more likely to engage in collective action than a homogeneous group. We hypothesize:

H3. General consumption taxes, such as VAT, will provoke less protest than income taxes.

H4. Poll taxes will provoke less protest than income taxes.

2. Social concentration

The second characteristic that may make a tax protest-prone is the *social concentration* of

the costs it imposes relative to the benefits it pays for. A policy that imposes concentrated costs in return for diffuse benefits is a well-known recipe for organized opposition (see Wilson 1995 [1974]: 331). The classic statement of this argument by Wilson (1995 [1974]) rested on the simple arithmetic point, noted above, that the concentration of the same aggregate cost on a smaller population will increase the burden of each individual in that population, as well as on the assumption (following Olson [1965]) that groups with fewer members will generally find it easier to mobilize than groups with more members. Although the latter assumption has not withstood critical scrutiny (see esp. Oliver and Marwell 1988), many of Wilson's examples also suggest another sense in which costs or benefits may be concentrated: they may target a group that is already characterized by internal social ties (cf. Marwell, Oliver and Pahl 1988). It is concentration in this sense—concentration in a bounded social group, rather than concentration in a small number of people—that we intend to emphasize here.

Socially concentrated costs encourage protest by reducing the costs of mobilization. When the group that bears the costs of a policy also shares a common social identity and social ties, then the task of finding and mobilizing others in the group is relatively low (Marwell, Oliver and Pahl 1988). The classic example of a policy that imposes concentrated costs in exchange for diffuse benefits, and thereby provokes organized opposition, is “a fee or impost paid by a particular industry or locality” (Wilson 1995: 331), presumably in part because many people in the same industry or locality already know each other and therefore find it easy to act together their common interests. This leads us to our next hypothesis:

H5. Excise taxes that impose concentrated costs on particular industries will provoke more protest than other taxes.

Conversely, we expect taxes that confer concentrated *benefits* to be relatively immune

from protest. Every tax confers diffuse benefits to the degree that it is spent on public goods. Some taxes, however, also confer concentrated benefits, to the extent that their revenues are earmarked for public goods that are *de facto* enjoyed in greater share by a subset of the public. We would expect earmarking to provide protection from protest only when some of the proceeds are categorically earmarked *for the benefit of those who paid the tax*. The most familiar example of a tax that confers socially concentrated benefits in this sense is the social security contribution. In most democracies, these contributions take the form of payroll taxes and income taxes that are earmarked for the financing of social insurance. What distinguishes social security contributions from other earmarked taxes—such as property taxes earmarked for schools, or fuel taxes earmarked for roads—is that they also confer eligibility for benefits on the particular individual who pays them. (By contrast, no one checks you against a gasoline tax register before letting you on the highway.)

Social security contributions, almost by definition, involve diffuse costs relative to benefits. Although modern social insurance programs cover large numbers of people, their structure as *insurance* programs, which aim to socialize risks experienced by a categorically defined subset of the population, dictates that the people receiving benefits at any given time should be fewer in number, and more socially homogeneous, than contributors. Because the costs are spread over a large number of people, typically a beneficiary derives more benefit in a given year than any given contributor pays. Many political scientists have noted that this combination of concentrated benefits and diffuse costs makes it comparatively easy to mobilize protests in defense of social security spending (see, e.g., Rhodes 1992, Pierson 1994, Campbell 2003). The same combination of diffuse costs and concentrated benefits makes it comparatively difficult to mobilize protests for cuts in social security contributions. We therefore hypothesize:

H6. Social security contributions will provoke less protest than other payroll and income taxes.

3. Traceability

A third characteristic that may make a tax protest-worthy is its *traceability* (Arnold 1991; Pierson 1993; see also Powell and Whitten 1993). A tax is traceable if it is collected in a manner that facilitates clear attribution of responsibility to particular policy makers. The ease of causal attribution affects the likelihood of protest because it affects what people expect they can achieve by protest. Potential protesters will demand that policy makers do something about their grievances only if they think that policy makers *can* do something—that is, if they think that their grievances depend causally on the choices of policy makers (Benford and Snow 2000; Javeline 2003; Snow, Rochford, Worden, and Benford 1986).

In the case of tax policy, traceability is partly a function of how the tax is collected. A tax that is collected in a stand-alone transaction between tax payer and tax collector—for example, a tax on income that is collected by mailing the tax payer a quarterly bill, or an impost on whiskey that is collected in person by a revenue agent—is relatively easily traceable to policy makers. By contrast, a tax whose collection is bundled together with a market transaction—for example, a tax on wage income that is withheld at the source, or a retail sales tax that is paid together with the purchase of consumer goods—is likely to be relatively untraceable. Taxpayers may easily misattribute a reduction in their take-home pay to their employer rather than to the tax collector, for example, or misattribute the expense of a sales tax to changes in the supply of or demand for goods (Finkelstein 2009; Loewenstein, Small, and Strnad 2006; Twight 1995; Zelenak 2003). We expect traceable taxes to provoke more protest:

H7. Taxes such as property taxes that are collected in stand-alone transactions are more subject to protest than taxes such as value added taxes (VAT) or payroll taxes whose collection is bundled with market transactions.

4. Calculability

A fourth characteristic of a tax that may affect protest is its *calculability*. A tax is calculable if computation of the liability requires little or no cognitive effort on the part of the taxpayer. We expect calculability to be relevant to protest because taxpayers may underestimate burdens that are difficult to compute. Research in behavioral economics demonstrates that people take cognitive shortcuts in order to reduce the effort of economic calculation, and these heuristics may induce a variety of systematic biases (for reviews see Camerer 1995; Fang and Silverman 2006; Shafir and LeBoeuf 2002). A substantial body of scholarship in public choice and behavioral public finance suggests that public officials may design policies to exploit these biases and obscure the costs of unpopular public policy (Dollery and Worthington 1996; see, e.g., Frey and Stutzer 2006; Gemmell, Morrissey, and Pinar 2002; Loewenstein, Small, and Strnad 2006; McCaffery and Baron 2005; McCaffery and Baron 2006; McCaffery 1994; McCaffery and Baron 2004; Oates 1988; Wagner 1976; Winter and Mouritzen 2001). The classical source for this claim is Puviani's *Theory of Fiscal Illusions* (1970 [1903]), which argued that rulers prevent tax rebellions by deliberately inducing "optimistic illusions" that conceal the full cost of taxation.

The calculability of a tax is partly a function of how the law assigns responsibility for assessment of the tax liability. For example, some tax authorities, such as the U. S. Internal Revenue Service, require taxpayers to compute their own income tax liability, a practice called self-assessment that imposes a considerable cognitive burden. Other tax authorities, such as local

property tax agencies in the U.S., do the computation themselves and notify taxpayers of their liability, a practice called administrative assessment. Because self-assessment imposes the cognitive burden of computing the tax liability, it may make it more difficult for taxpayers to recognize and respond to burdensome impositions. Edlund (2003) presents evidence that Swedes are better informed about the distribution of personal income tax than Americans are, and suggests that the prevalence of fiscal illusions in the U.S. may be attributable to the greater computational difficulty of American income tax assessment. In a similar vein, Chetty et al. (2009), present evidence that retail sales taxes provoke a greater behavioral response when they are computed by the retail establishment and included in the sticker price of goods than when the taxpayer is required to compute his or her own sales tax liability (see also Takayuki 2008: 46). These considerations lead us our hypothesis:

H8. A payroll tax that is assessed by the authorities or intermediaries will provoke more protest than an income tax that may require taxpayers to compute their own liability.

Recent scholarship, however suggests an alternative line of argument. Although the greater computational difficulty of self-assessed income taxes may lead taxpayers to err in estimating the tax burden, that error may be in the direction of *overestimation* rather than underestimation. Moreover, the cognitive and administrative burden of computation itself may be widely disliked. Some scholars have suggested that it is the paperwork burden of income tax assessment rather than the tax burden itself that provokes Americans to protest against the federal personal income tax (Ventry 2011, Williamson 2015). This line of argument implies the alternative hypothesis:

H9. A payroll tax that is assessed by the authorities or intermediaries will provoke less protest than an income tax that may require taxpayers to compute their own liability.

In order to test these hypotheses, we require a research design that includes multiple taxes with varying administrative characteristics, and quantifies the propensity to protest each of them. Before outlining our research strategy we turn briefly to the flaws in previous studies that we aim to address.

Measurement Problems in Prior Research

Prior attempts to test the theory that visible taxes cause protest have been hampered by two serious methodological shortcomings. The first is the problem of ecological inference. Most contemporary proponents of the tax visibility hypothesis in sociology and political science today cite the research of Wilensky (Wilensky 1976; Wilensky 2002), who compared national tax systems in the aggregate, rather than individual taxes. Wilensky and his research assistants assigned each of nineteen democracies a score to represent the aggregate level of “tax-welfare backlash” over the period 1965 to 1975, and demonstrated that countries that relied most heavily on taxes that he classified as “direct taxes” also experienced the most backlash (see also Hibbs and Madsen 1981). It is but a short leap from this finding to the conclusion that direct taxes cause protest, but that leap entails an invalid ecological inference. Countries that rely heavily on direct taxes might exhibit the most protest, but protesters *within* these countries might still be protesting primarily against indirect taxes.

The case of Danish tax protest illustrates the problem. This country is well known to students of comparative political economy for its uniquely heavy reliance on income taxes (Ganghof 2007), and it is also thought by many scholars to be the country that “has experienced the most extensive tax revolts (i.e., resistance to high-tax burden) in Western Europe” (Kato 2003: 30; see also Esping-Andersen 1985; Østergård 1992). Many scholars have offered the

Danish case as evidence that income taxes cause protest, and Wilensky's studies of tax-welfare backlash in the period 1965 to 1975 devote considerable attention to Danish anti-income-tax protest (see Wilensky 2002: 377). But the historical record suggests that at least as many Danes protested against consumption taxes in that decade, including shopkeepers who committed civil disobedience by refusing to collect VAT, consumers who circulated a national petition to ban taxation of grocery sales, and 60,000 workers who walked off the job on May 13, 1974 to protest a bill that cut income taxes and raised VAT (Avisårbogen 1974; Bruhn n.d. [1967?]; New York Times 1974). This wildcat strike against consumption taxes was the largest coordinated tax protest event postwar Danish history. The lesson of the Danish case is that cross-national comparisons alone cannot tell us which taxes are most likely to cause protest. For that purpose, we need systematic comparisons across taxes *within* a given country.

The second problem with the previous studies is that they have relied on pairwise contrasts that make it difficult to distinguish among the potentially relevant dimensions of tax policy. The theoretical literature implies that the "visibility" of a tax depends on the details of how a tax is assessed and collected. John Stuart Mill's hypothesis that indirect taxes were immune to protest, e.g., depended on the assumption that such taxes were included in prices. But most empirical studies to date have classified taxes according to the tax base (e.g. whether they are levied on income or consumption) rather than the mode of collection (e.g. whether they are included in prices, or whether they are withheld at source). The result is that the empirical studies do not shed any light on the question of whether it is really regressivity, social concentration, traceability, calculability, or some other characteristic of the tax, that matters for political behavior. This problem pervades even studies that avoid the ecological fallacy. Most notably, there are a handful of within-country studies that compare the political effects of income taxes

and consumption taxes. These studies generally suggest that consumption taxes, not income taxes, are the most cognitively salient (Dornstein 1987; Gemmell, Morrissey, and Pinar 2003), the least popular (Dornstein 1987), the most likely to provoke anti-government attitudes (Gemmell, Morrissey, and Pinar 2003), and the most likely to provoke anti-incumbent voting (Hansen 1983; Landon and Ryan 1997; Stults and Winters 2005). But these studies shed little light on *why* consumption taxes provoke a greater political response. Simply comparing an income tax to a consumption tax does not tell us what it is about the latter that is more conducive to backlash. For that we need to compare a wider range of taxes that exhibit variation along multiple dimensions.

These considerations suggest that an adequate research design should (a) compare taxes *within* a country as well as across countries, (b) compare multiple dimensions of tax policy, and (c) control for other characteristics of a tax--such as its magnitude--that may also affect its propensity to cause protest.

The Comparative Tax Protest Database

We met this challenge by compiling a new database of tax-specific measures of policy characteristics and protest for 20 countries over the 31 year period from 1980 to 2010 (see Martin and Gabay 2017). We limit our attention to the universe of rich democratic countries that are reasonably populous. More specifically, our threshold criteria for inclusion in the study are membership in the top quintile of countries with respect to GDP per capita in 1980 (corresponding to a threshold of 5,000 in current 1980 USD); the presence of competitive elections; and a population of at least 3 million. These criteria include 21 countries; we omit Israel from the present analysis because of the limited availability of harmonized financial data,

leaving us with a 20-country universe (Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Netherlands, New Zealand, Norway, Spain, Sweden, Switzerland, the United Kingdom, and the United States).

This case selection has both theoretical and practical justification. Theoretically, we limit our attention to at least moderately large rich democracies because we assume that the dynamics of fiscal contention are potentially very different in countries that do not share these characteristics. Fiscal policy is tightly constrained in poor countries, which display comparatively little variation in their tax policy instruments (Hinrichs 1966); fiscal policy is also tightly constrained in very small countries because of their economic dependence on larger neighbors; and protest behavior in general is strongly constrained in undemocratic states. Such states are therefore uninformative places to study the relationship between tax policy and protest that obtains in richer, bigger, and more politically permissive polities. Practically, we limit our attention to a small set of rich democracies because the availability of fiscal data and the quality of news reportage of political contention tend to be inadequate in states that are very small, very poor, or undemocratic.

We defined tax-related protest events as nongovernmental collective action at least partly in protest against existing or proposed taxes. Our research team collected the protest data from newspaper and wire service reports. Newspaper and wire service data represent the best available source of systematic data on tax protest, as with many other forms of protest (Earl, Martin, McCarthy, and Soule 2004). Nevertheless, newspaper coverage of protest events is subject to well-known selection biases (Koopmans and Rucht 2002; McAdam and Su 2002; Oliver and Maney 2000; Oliver and Myers 1999; Ortiz, Myers, Walls, and Diaz 2005). We designed our study to minimize these biases to the extent possible.

First, we combine automated search with human coding. We began by relying on keyword search of full-text searchable news sources to filter the corpus of texts. In order to minimize selection bias, we used a combination of “generic event descriptor” and “event-specific” search strategies to locate events in the full text of the newspaper (Maney & Oliver 2001). Our team of researchers then coded each story for the presence of tax protest and the content of the protesters’ demands. Our second procedure for minimizing bias was to rely on multiple news sources. Recent advances in the field of protest events data collection have shown that triangulation across multiple sources can substantially increase validity in protest events data (Oliver and Myers 1999, Oliver and Maney 2000, Almeida and Lichbach 2003). The use of news sources from different countries confers a substantial advantage in comparative research (Nam 2006). We relied on the following full-text searchable electronic wire services and news periodicals: *Agence France Presse*; *Associated Press*; *The Christian Science Monitor*; *Deutsche Presse-Agentur*; *The Courier and Sunday Mail* (Australia); the *Financial Times* (London); *The Globe and Mail* (Canada); the *Guardian*; *Japan Economic Newswire*; the *Jerusalem Post*; *Le Monde Diplomatique*; the *London Times*; the *New York Times*; *UPI (United Press International)*; and *Xinhua General News Service*. The most difficult coding decision, and the most important for our purposes, was to classify the tax with which protesters were concerned. We ensured consistency by adopting the OECD's published criteria for classifying taxation, an exhaustive and mutually exclusive set of categories. This coding scheme is standard in the literature on comparative political economy of taxation. It is well-tested, because it is the scheme used to harmonize the revenue statistics published by international agencies. It leaves little ambiguity or discretion in the hands of coders. And it permits matching of tax protest data to OECD data on tax revenues and institutional features of taxation. For the purposes of this paper, we restricted

our analysis to protests that demanded to abolish, cut, or prevent the adoption of one or more taxes.

We defined tax-related protest events operationally as nongovernmental collective action at least partly in protest against existing or proposed taxes. In order to determine whether a protest was at least partly tax-related, we relied where possible on the direct evidence of protesters' own statements, as quoted or paraphrased in the sources available to us (e.g., "*Representatives of the farmers told reporters* they would continue their protests until the government of Prime Minister Andreas Papandreou withdrew the new tax law" [United Press International 1995, emphasis added]). Such direct evidence was available for only 86 of 487, or 18%, of the unique protest events in the data set. If there was no direct evidence, we relied on reporters' explicit statements imputing tax-related motives or demands to protesters (e.g., "About 20,000 Swedish farmers marched through Stockholm's central business district Thursday to protest cuts in agricultural subsidies and high taxes on food" [Christian Science Monitor 1985: 2]). Explicit statements imputing tax-related demands were available for the great majority of events we analyze in our database (385 of 487, or 79%). If the reporter did not explicitly impute motives or demands, we inferred the presence of tax-related protest demands where the reporter appeared to impute tax-related motives implicitly by the association of events in the article. (E.g., "*Protests were also stepped up in Germany*, while truckers and farmers in Ireland, Spain and Poland joined the movement to disrupt travel as a rowdy complaint against the rising price of the highly taxed gasoline and diesel fuel" [Hoge 2000: A4, emphasis added]—a sentence that implies by association that Germans were protesting gasoline taxes, but does not state it directly.) Such indirect inference was necessary for 16 of the 487, or 3%, of the events in our database.

The resulting database analyzed for this paper includes the protest events for which it was

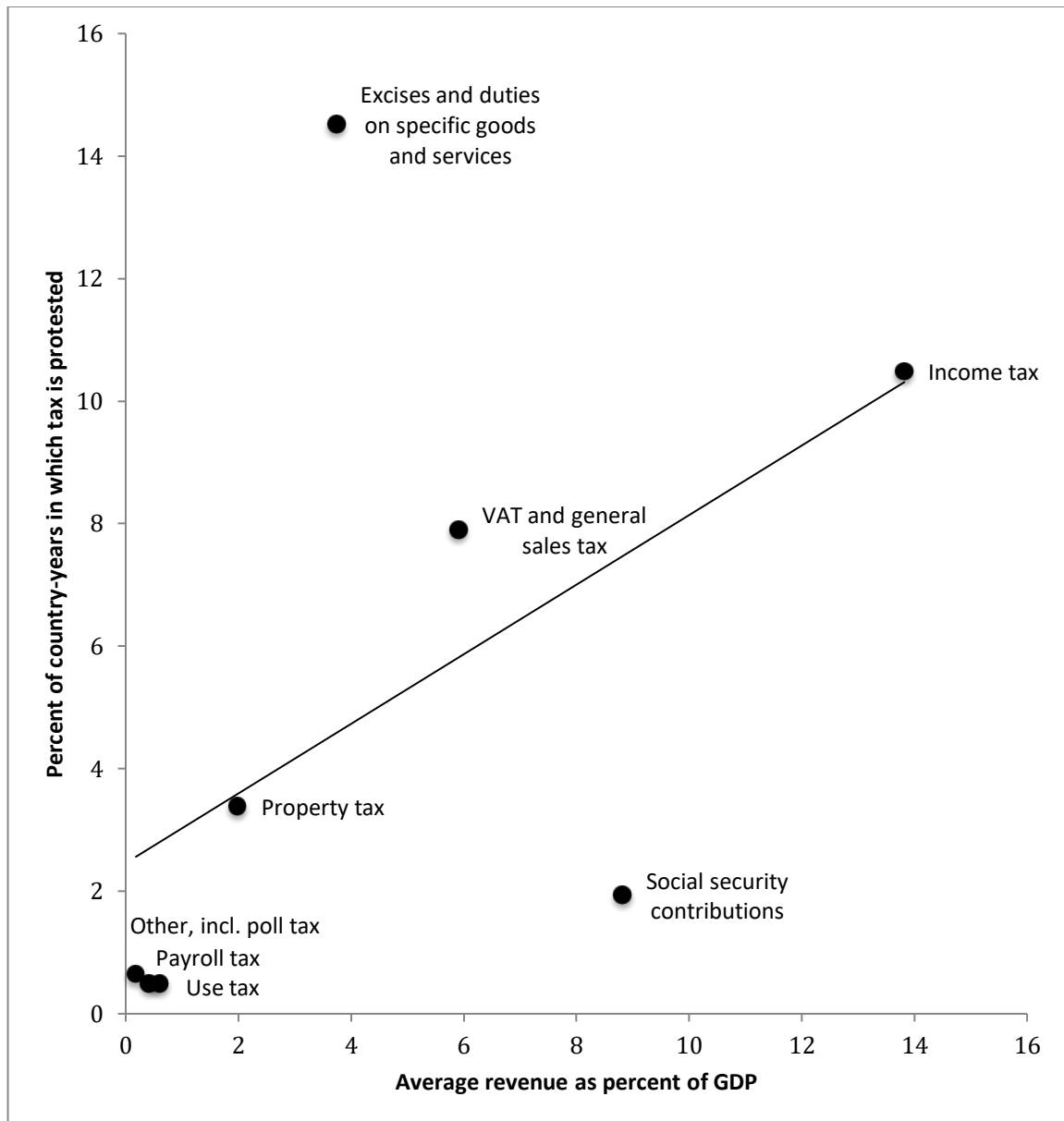
possible to identify one or more specific categories of taxation at issue (475 of 487, or 98%). Of these, 78 concerned more than one category of taxation. Because our focus is on what makes taxes protest-prone, our unit of analysis is the category of taxation rather than the protest event. We analyzed the annual probability that a particular category of taxation was met with some recorded protest.

Are Some Taxes More Protest-Prone than Others?

Figure 1 plots the percentage of country-years in which each type of tax was subject to protest against the magnitude of that tax as a percentage of GDP. The eight categories of taxation in the figure correspond to the top-level OECD classification of taxes, except that we have disaggregated the most protest-prone category (“taxes on goods and services”) in order to identify with greater precision the most vulnerable categories of tax under that general heading. The graph illustrates that tax protest is indeed responsive to the tax burden. The greater the burden of a particular tax as a share of national income, the greater the probability that it will be the target of popular mobilization in any given year. According to the best fitting regression line, the annual probability that a tax would be subject to some protest in this set of countries and years was equal to roughly two percent plus one additional percentage point for every two percent of GDP collected by the tax. For the most productive modern taxes, such as income tax and VAT, that added up to a substantial annual risk of protest.

Figure 1.

Average frequency of protest by tax burden for eight categories of tax in 20 rich countries, 1980-2010



The graph also illustrates that some categories of taxation provoked more protest than their economic burden would lead us to expect, while others provoked substantially less. Much of the conventional wisdom about *which* taxes provoke protest, however, receives little support. In the rich democracies at the turn of the twenty-first century, it was often the payers of excise taxes—the paradigmatic “indirect taxes” of classical political economy—who squealed the loudest. Many contemporary scholars of social policy recommend VAT for its putative ability to yield substantial revenue with little protest (see e.g. Campbell 2011), but it is protested at least as often as one would expect given its revenue yield. The property tax is assumed by some American scholars—perhaps especially Californians—to have a special propensity to inspire revolt (Hoxby and Cabral 2012, Wilensky 2002). There is literally no comparative evidence for this view. Perhaps the only piece of conventional scholarly wisdom that *does* receive support is the assumption that taxpayers are content with their social security contributions. This category of taxation is protested much less often than any other tax that generates comparable revenues.

Might these patterns arise for circumstantial reasons? Countries differ in their mix of tax policies. Perhaps the comparative patterns that we observe in Figure 1 are spurious, and merely reflect something about the tax mix in the most culturally protest-prone countries, or the influence of some third factor—such as the partisan coloration of government, or the level of welfare spending—that affects both the tax mix and the propensity to protest. In order to test whether the pattern of variation across taxes can be explained away by such contextual factors, we fit a series of logistic regression models. Like other applications of logistic regression to events data, these models may be understood as discrete-time event history models (Beck 2008; Petersen 1995). Because of the multilevel data structure—spells of protest and quiescence, nested within taxes, nested within countries—all of our models include fixed, country-level

intercepts, as well as covariates measured at the levels of the country-tax and the country-tax-year. Our full models will have the form:

$$\log (P_{ijt}/[1-P_{ijt}]) = \beta_{ijt}X_{ijt} + \delta_{it}V_{it} + \varepsilon_i$$

where P is the probability of a protest directed against a particular tax; i indexes country, j indexes tax, and t indexes year; X is a vector of country-tax-year specific variables; V is a vector of country-year specific variables; and ε is a vector of fixed, country-level intercepts.

Our control variables are drawn from studies of social protest and welfare state politics. Model 2 introduces control variables for the level of development. These have been found to be significant in prior quantitative studies of tax-welfare backlash. The first is *GDP per capita*, in current US dollars. Wilensky (2002) reports that tax protest is common in less developed economies (see also Ardant 1965). The second is the total of all tax revenues as a share of GDP. Both variables are published by the OECD.

Model 3 introduces control variables that have been found to be important in social movement studies. Social movement scholars commonly argue that the presence of partisan allies or enemies in government affects the likelihood of protest (McAdam 1982; McAdam 1996; McAdam and Su 2002; Meyer 2004; Nam 2007; Soule, McAdam, McCarthy, and Su 1999; Tarrow 1996; Tarrow 1998; Van Dyke 2003). We therefore include a variable for *left party share of the legislature*. We also include a dichotomous variable equal to one in an *election year*, since scholars have argued that disruptive protest may be an especially effective and therefore especially inviting strategy when parties face electoral competition (Jenkins, Jacobs, and Agnone 2003; McAdam 1982; Piven and Cloward 1979). Both of these variables come from the Comparative Manifestos Project (Volkens et al. 2014). Other characteristics of the political opportunity structure commonly emphasized in cross-national studies—such as the formal

distribution of voting rights, the availability of institutional access points, and the centralization of bureaucratic authority (Kitschelt 1986; Kriesi, Koopmans, Duyvendak, and Giugni 1995; Tarrow 1996)—are temporally invariant in this sample of countries and years. Our fixed-effects modeling strategy controls for these static dimensions of opportunity structure, although it does not allow us to measure their independent effects.

Model 4 introduces controls for other dimensions of fiscal policy that may affect the propensity to protest. These include *social security transfer expenditures* standardized as a percentage of GDP; many scholars have argued that tax protest is, in part, a backlash against the growth of social spending (Rosenberry 1982; Wilensky 1976; Wilensky 2002). They also include the magnitude of the *budget deficit* as a percentage of GDP. In previous research we have found that this variable is an important country-level predictor of fiscal protest (Martin and Gabay 2012). Both of these variables are available from the OECD, but for only a variable time period for each country in the data set; Model 4 is therefore estimated over an unbalanced panel that omits different numbers of early sample years for different countries.

Table 1 reports the results. They provide little evidence for hypotheses concerning the distribution of the tax burden. Income taxes, the most consistently progressive category of taxation, are neither more nor less protest-prone than general consumption taxes, the most consistently regressive category of taxation. Neither H₁ nor H₃ receives any support.

Table 1. Results of fixed-effects logistic regression models of protest against taxes, by category of tax within country and year

	Model 1		Model 2		Model 3		Model 4	
	Coeff	SE	Coeff	SE	Coeff	SE	Coeff	SE
Characteristics of the tax								
Type of tax (OECD category; reference category is 5110, for VAT and general sales taxes)								
income taxes (1000)	0.134	(0.298)	0.202	(0.301)	0.133	(0.298)	-0.135	(0.362)
payroll taxes (2000)	-1.633**	(0.359)	-1.591**	(0.358)	-1.633**	(0.359)	-2.004**	(0.462)
social security contributions (3000)	-2.797**	(0.615)	-2.842**	(0.616)	-2.797**	(0.615)	-2.162**	(0.638)
property taxes (4000)	-0.858**	(0.283)	-0.884**	(0.283)	-0.858**	(0.283)	-0.468**	(0.324)
excise and customs duties (5120)	0.778**	(0.200)	0.766**	(0.200)	0.779**	(0.200)	1.074**	(0.241)
taxes on use of goods (5200)	-2.804**	(0.614)	-2.847**	(0.614)	-2.804**	(0.614)	-2.184**	(0.635)
other taxes (6000)	-2.506**	(0.544)	-2.552**	(0.545)	-2.505**	(0.543)	-2.160**	(0.638)
Revenues from tax as % GDP	0.028	(0.030)	0.018	(0.031)	0.028	(0.030)	0.085	(0.038)
Country-year characteristics								
Real GDP per capita, current USD			0.000	(0.008)				
Total tax revenues as % GDP			0.064	(0.034)				
Election year = 1					-0.104	(0.159)		
Left party share of seats					0.105	(0.707)		
Social expenditures as % GDP							0.003	(0.039)
Budget deficit as % GDP							0.089**	(0.022)
N country-tax years	4,960		4,960		4,960		3,528	
Likelihood Ratio χ^2	274.5**		278.17**		274.9**		237.0**	
BIC	1386.35		1388.63		1391.882		1050.377	

Note: All models include country-level intercepts. Statistical significance: * $p < .05$ ** $p < .01$

The OECD category “other taxes” (6000), which includes the “community charge” or poll tax, a regressive imposition that was the subject of a sustained campaign of civil disobedience in the United Kingdom in 1990, was, in a larger sample of countries and years, somewhat *less* likely than income tax to be protested. This finding is inconsistent with H₂, but it is consistent with H₄, and more generally with the proposition that progressive taxation may be more protest-prone than at least some forms of regressive taxation. Economic concentration of the tax burden may have some impact on the frequency of protest.

The results are broadly consistent with our expectations concerning the relative concentration of costs and benefits. Consistent with H₅, and regardless of model specification, excise taxes and customs duties—taxes on *specific* goods and services—appear significantly and substantially more protest-prone than the reference category of taxes on *general* goods and services. Also, regardless of model specification, social security contributions appear significantly less protest-prone than income taxes, a finding that is consistent with H₆. Social security contributions also appear less protest-prone than other payroll taxes, although the difference in the magnitude of these coefficients is not statistically significant.

Our hypotheses concerning traceability and calculability also receive mixed support. Contrary to H₇, property taxes (typically real estate taxes or taxes on inherited wealth, both of which are collected in stand-alone transactions, and therefore among the most traceable types of taxation) are *less* subject to protest than general goods and services taxes such as VAT. Contrary to H₈, but consistent with H₉, income taxes, which include self-assessed taxes in many countries, and generally impose a greater cognitive and administrative burden on the individual taxpayer, are *more* subject to protest than payroll taxes, which are more easily calculable. It would appear that convenience of an administratively assessed tax mollifies protest more than does the fiscal

illusion that may attend a partly self-assessed and therefore cognitively burdensome tax.

In other respects, our models are mostly consistent with prior research on tax protest. We find that current GDP per capita is associated with less protest. There is no evidence in Model 3 that the partisan opportunity structure affects the likelihood of protest, nor is protest more likely in election years. We do find, in Model 4, that protest is more likely in country-years with a greater budget deficit, consistent with the results that we reported with a different protest data set and a different sample of countries in Martin and Gabay (2012).

The most important conclusion for our purposes is that none of these contextual variables is responsible for the consistent association of protest with particular categories of taxation. Even after adjusting for all of the above, the frequency of protest varied over the category of tax—in just the ways that were illustrated in Figure 1.

How to Pluck the Goose With the Least Squawking

Our findings shed new light on a very old question of comparative political economy. Jean-Baptiste Colbert, finance minister to Louis XIV, is widely credited with the maxim that “the art of taxation consists of plucking the goose so as to obtain the most feathers with the least squawking”—that is, maximizing revenue while minimizing protest. But the science of taxation has devoted very little attention to protest. In the absence of better research, many comparative scholars continue to rely on a crude contrast between direct and indirect taxes that repeats the anecdotal wisdom of eighteenth-century British statesmen. If this binary classification was ever an accurate guide to the problem of tax consent, it little corresponds to the patterns of quiescence and protest in the most heavily taxed societies of our time. In the rich democracies, for at least the last 30 years, it has been the indirect and therefore supposedly invisible taxes on trade that

have proved to be the most politically contentious—whether because, as in the case of VAT, they imposed especially heavy burdens, or because, in the case of excise taxes, their burdens were concentrated on particular groups that had the wherewithal to protest.

Our findings have important implications for the literature on the comparative political economy of the welfare state. Ever since Wilensky (1976) advanced the hypothesis that income and property taxes were “visible” taxes that cause “tax-welfare backlash”, many scholars have cited his analysis as authoritative (Kato 2003, Morgan and Campbell 2005; Prasad 2005; Prasad 2006; Wilensky 2002). But the counsel that would seem to follow from this analysis—to place all your bets on VAT—has not in fact produced fiscal calm. In the years since Wilensky first published this argument, VAT has been one of the most often protested taxes, simply because it is one of the largest in terms of aggregate revenue. It follows that the well-known reliance of large welfare states on VAT cannot be attributed to the putative ability of VAT to ameliorate conflict. It may be, as scholars such as Kato (2003) have argued, that regressive consumption taxes are especially well-suited for sustaining welfare states in world markets, but the reason for this elective affinity cannot be found in any immunity to protest conferred by indirect taxes on consumption. They confer no such immunity.

Finally, the data summarized in this paper show that it is not direct taxes as such that provoke protest. It is burdensome taxes that provoke protest, particularly when their economic burdens are concentrated (either economically, by means of a graduated rate structure, or socially, by targeting an existing industry). Taxes that confer concentrated benefits, by contrast, are among the least subject to protest. The implications for how to raise revenue without provoking a rebellion are relatively straightforward. Spread the tax burden over various taxes on different bases so that no one tax is too burdensome. Favor general taxes that diffuse costs

widely over specific excises that concentrate costs on particular social groups. And provide taxpayers with social security in exchange for their fiscal participation.

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¹ The research reported in this paper was supported by the Israel-U.S. Binational Science Foundation (grant number 2012385). The analysis has benefited from the criticism of colleagues too numerous to name individually, and from discussions with colleagues and students at the University of California – Irvine, the University of California – Los Angeles, Stanford University, Pomona College, and the University of Southern California.